

House of Representatives

Committee on Post Office and Civil Service

Washington, D.C. 20515

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OPENING STATEMENT OF CONGRESSWOMAN MARY ROSE OAKAR
CHAIR-DESIGNEE OF THE SUBCOMMITTEE ON COMPENSATION
AND EMPLOYEE BENEFITS OF THE HOUSE POST OFFICE
AND CIVIL SERVICE COMMITTEE
OVERSIGHT BRIEFING ON FY 1986 BUDGET PROPOSALS
TUESDAY, FEBRUARY 26, 1985
WASHINGTON, D.C.

THE COMMITTEE WILL COME TO ORDER.

SINCE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE HAS NOT HELD ITS ORGANIZATIONAL MEETING AND HAS NOT ADOPTED ITS RULES FOR THE 99TH CONGRESS, THE PROCEEDINGS TODAY WILL BE CONDUCTED IN THE FORM OF A BRIEFING FOR ALL MEMBERS OF THE COMMITTEE, RATHER THAN AS A SUBCOMMITTEE HEARING. FOLLOWING TODAY'S BRIEFING, I WILL REQUEST THE FULL COMMITTEE TO AUTHORIZE PRINTING OF THESE PROCEEDINGS.

I HAVE SCHEDULED THIS BRIEFING TODAY IN ORDER FOR THE SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS TO EXPEDITIOUSLY FULFILL ITS OBLIGATIONS UNDER THE BUDGET ACT CONCERNING THE PROPOSALS CONTAINED IN THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1986 AFFECTING FEDERAL PAY, THE CIVIL SERVICE RETIREMENT SYSTEM, AND THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM.

TO BRIEFLY SUMMARIZE THE PRESIDENT'S BUDGET PROPOSALS, HE IS SEEKING TO:

- (1) CUT FEDERAL PAY BY FIVE PERCENT;
- (2) RAISE THE MINIMUM RETIREMENT AGE FOR FULL BENEFITS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM FROM 55 TO 65;
- (3) DECREASE ANNUITIES FOR FEDERAL WORKERS UNDER 65 BY FIVE PERCENT A YEAR. UPON FULL IMPLEMENTATION, THIS WOULD CUT ANNUITIES IN HALF FOR THOSE WHO RETIRE AT AGE 55;
- (4) ELIMINATE THE 1986 COLA;
- (5) CALCULATE FUTURE COLAS BEGINNING IN 1987, BY LIMITING THEM TO THE LOWER OF THE INCREASE IN GENERAL SCHEDULE PAY OR THE

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- CONSUMER PRICE INDEX AND LIMIT COLAS TO 55 PERCENT FOR ANNUITIES THAT EXCEED \$10,000, ADJUSTED BY THE CPI;
- (6) CHANGE THE CIVIL SERVICE RETIREMENT FORMULA SO THAT ANNUITIES WOULD BE CALCULATED ON THE HIGHEST FIVE YEARS OF EARNINGS, RATHER THAN THE PRESENT THREE YEARS;
 - (7) PHASE-OUT RETIREMENT CREDIT FOR UNUSED SICK LEAVE;
OVER 4 YEARS
 - (8) CONFORM CIVIL SERVICE SURVIVOR, ADULT STUDENT AND MINIMUM BENEFITS TO THOSE PROVIDED BY SOCIAL SECURITY;
 - (9) REQUIRE THE POSTAL SERVICE AND THE DISTRICT OF COLUMBIA TO PHASE-IN THE PAYMENT OF THE FULL COST OF PENSIONS, LESS THE EMPLOYEES' CONTRIBUTIONS;
 - (10) DISCONTINUE RETIREMENT LIFE AND HEALTH INSURANCE COVERAGE FOR EMPLOYEES FIRST HIRED BY THE DISTRICT OF COLUMBIA AFTER SEPTEMBER 30, 1985; AND
 - (11) IMPLEMENT A HEALTH BENEFITS VOUCHER PLAN.

I AM DEEPLY CONCERNED WITH THE IMPACT OF THESE PROPOSALS ON THE MORALE AND PRODUCTIVITY OF FEDERAL EMPLOYEES AND THE VITAL SERVICES THAT THEY PERFORM FOR THE CITIZENS OF OUR COUNTRY.

LET'S CONSIDER FOR A MOMENT THAT, WHEN WE SAY "FEDERAL EMPLOYEE," WE ARE TALKING ABOUT PEOPLE LIKE OUR ASTRONAUT, SALLY RIDE, AND DRUG ENFORCEMENT AGENTS WHO RISK THEIR LIVES TO STEM THE FLOW OF ILLEGAL SUBSTANCES THAT ARE FLOODING OUR NATION. WE ARE TALKING ABOUT OUR DEPENDABLE LETTER CARRIERS; THE PEOPLE WHO INSPECT MEAT AND POULTRY TO PROTECT OUR CITIZENS FROM DISEASE; THE MEN AND WOMEN AT THE NATIONAL INSTITUTE OF HEALTH WHO ARE PERFORMING INVALUABLE CANCER RESEARCH; AND THE DEDICATED

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EMPLOYEES WHO ARE RESPONSIBLE FOR ADMINISTERING PROGRAMS ASSISTING THE FARMERS OF OUR GREAT NATION.

WHEN WE SAY, "FEDERAL EMPLOYEE," WE ARE NOT SIMPLY REFERRING TO A FACELESS BUREAUCRACY. WE ARE DESCRIBING MANY OF OUR SONS AND DAUGHTERS, OUR NEIGHBORS, AND OUR FRIENDS. WE ARE REFERRING TO PEOPLE WHO MAKE CERTAIN THAT SOCIAL SECURITY CHECKS ARE DELIVERED ON TIME TO OUR SENIOR CITIZENS AND TO THOSE WHO ADMINISTER VITAL MEDICARE BENEFITS. WE ARE TALKING ABOUT THE "RETIREES" WHO, WHEN WORKING FOR THE FEDERAL GOVERNMENT, PLACED AMERICAN ASTRONAUTS ON THE MOON, DEVELOPED PROGRAMS TO PROTECT OUR CHILDREN FROM UNSAFE TOYS, AND PRESERVED OUR COUNTRY'S HERITAGE THROUGH THE ESTABLISHMENT AND ADMINISTRATION OF SUCH FINE INSTITUTIONS AND MUSEUMS AS THE SMITHSONIAN.

WE ARE DESCRIBING PEOPLE WHO ARE WORKING HARD, RAISING FAMILIES, AND TRYING TO MAKE ENDS MEET. WE ARE REFERRING TO GRANDPARENTS AND OTHER SENIORS WHO DEDICATED THEIR LIVES TO PUBLIC SERVICE. THESE ARE THE MEN AND WOMEN WHO HAVE BEEN MUCH MALIGNED AND ABUSED BY THIS ADMINISTRATION -- WHO ARE NOW FACING EXTRAORDINARY REDUCTIONS IN THEIR PAY, RETIREMENT BENEFITS, AND HEALTH INSURANCE. THESE ARE AMONG THE VICTIMS OF THE FISCAL YEAR 1986 BUDGET WHO ARE BEING SINGLED-OUT FOR EXTRAORDINARY SACRIFICES. I CANNOT AGREE THAT THESE MEASURES ARE NECESSARY, FAIR, OR EVEN IN THE PUBLIC INTEREST.

I AM PARTICULARLY DISTURBED BY THE PROPOSAL TO REDUCE FEDERAL PAY FOR MANY REASONS. FIRST OF ALL, IT IS GROSSLY UNFAIR

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TO SINGLE OUT FEDERAL WORKERS FOR A SUBSTANTIAL PAY REDUCTION, WHILE MILITARY PERSONNEL WOULD RECEIVE A THREE PERCENT PAY RAISE IN JULY.

FURTHERMORE, IN REVIEWING THE HISTORY OF WAGE INCREASES IN THE FEDERAL GOVERNMENT FOR THE PAST 15 YEARS, I AM STRUCK BY THE FACT THAT WAGES FOR WHITE COLLAR WORKERS HAVE RISEN BY 221 PERCENT, WHILE MILITARY PAY HAS GROWN BY 306 PERCENT, AND WAGES IN THE PRIVATE SECTOR HAVE INCREASED BY 290 PERCENT. IN COMPARISON TO THE MILITARY AND THE PRIVATE SECTOR, FEDERAL WHITE COLLAR WAGES HAVE FALLEN SUBSTANTIALLY BEHIND, DESPITE THE CLEAR INTENTION OF THE FEDERAL WAGE COMPARABILITY ACT OF 1970 THAT GENERAL SCHEDULE PAY REMAIN COMPARABLE TO WAGES IN THE PRIVATE SECTOR.

IT IS ALSO IMPORTANT TO NOTE THAT, DURING THIS SAME PERIOD, THE CONSUMER PRICE INDEX HAS INCREASED BY 306 PERCENT. SINCE 1970, FEDERAL WHITE COLLAR WORKERS HAVE SEEN THEIR STANDARD OF LIVING STEADILY DECLINE, DESPITE THE REDUCTION IN THE RATE OF INFLATION FOR THE PAST FEW YEARS.

IN CONSIDERING THE PAY CUT PROPOSAL, WE MUST ALSO KEEP IN MIND THE RECENT REPORT OF HAY ASSOCIATES ON TOTAL COMPENSATION IN THE FEDERAL, STATE, AND PRIVATE SECTORS PREPARED FOR THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE. IN THIS REPORT, HAY ASSOCIATES CONCLUDED THAT FEDERAL PAY LAGS BEHIND THE PRIVATE SECTOR BY 10.3 PERCENT, INCREASING TO 58.4 PERCENT FOR SENIOR EXECUTIVE SALARIES. ON A TOTAL COMPENSATION BASIS, FEDERAL PAY AND FRINGE BENEFITS TRAIL THE PRIVATE SECTOR BY 7.2 PERCENT AND, WHEN COMBINED WITH STATE EMPLOYMENT DATA, 6.2 PERCENT. AND, THE

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MOST RECENT REPORT OF THE PAY AGENT FOUND THAT, UNDER CURRENT PROCEDURES, FEDERAL PAY IS 18.3 PERCENT BEHIND THE PRIVATE SECTOR.

GIVEN THIS DATA, I AM BAFFLED BY THE CONCLUSIONS REACHED BY THE OFFICE OF PERSONNEL MANAGEMENT IN ITS REPORT ENTITLED "REFORMING FEDERAL PAY: AN EXAMINATION OF MORE REALISTIC PAY ALTERNATIVES." THIS REPORT APPARENTLY IS THE ONLY DOCUMENT JUSTIFYING THE ADMINISTRATION'S PROPOSAL TO REDUCE FEDERAL PAY BY FIVE PERCENT. I AM LOOKING FORWARD TO QUESTIONING THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT CLOSELY ON THE QUALITY OF THE REPORT, THE RELIABILITY OF THE DATA, AND THE VALIDITY OF THE CONCLUSIONS. CERTAINLY, BASED ON MY UNDERSTANDING OF THE REPORT, IT APPEARS TO BE A HASTILY PREPARED DOCUMENT, SORELY LACKING BOTH IN CREDIBILITY AND ANALYSIS.

WITH REGARD TO THE REMAINDER OF THE ADMINISTRATION'S PROPOSALS, WE HAVE SEEN MOST OF THEM IN PRIOR BUDGET SUBMISSIONS OF THE PRESIDENT. CERTAINLY, THE PROPOSAL TO CREATE A VOUCHER PLAN AS A SUBSTITUTE FOR THE CURRENT FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM IS NOT NEW TO THIS COMMITTEE. I, FOR ONE, HAVE CONSISTENTLY OPPOSED A VOUCHER PLAN AS NO MORE THAN A MEANS OF DRASTICALLY REDUCING HEALTH INSURANCE COVERAGE FOR FEDERAL WORKERS AND RETIREES.

IF THERE WAS EVER ANY QUESTION ABOUT THE ADMINISTRATION'S INTENTION IN SEEKING A VOUCHER PLAN, WE NEED ONLY LOOK AT THE BUDGET DOCUMENTS THEMSELVES. THE ADMINISTRATION PROJECTS A REDUCTION IN BUDGET AUTHORITY FOR THE FEHBP FOR FISCAL YEAR 1987, WHEN THE VOUCHER PLAN WOULD FIRST BECOME EFFECTIVE, OF \$56

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MILLION AND, IN 1988, OF \$171 MILLION, COUPLED WITH A \$53 MILLION REDUCTION IN OUTLAYS. IN EFFECT, ONE YEAR AFTER ITS IMPLEMENTATION, THE VOUCHER PLAN WOULD SLASH \$53 MILLION IN HEALTH INSURANCE BENEFITS FOR FEDERAL WORKERS AND ANNUITANTS.

I AM EQUALLY DISTRESSED BY THE UNRELENTING ATTEMPT OF THE ADMINISTRATION TO REDUCE BENEFITS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM. IT IS A TRAVESTY THAT THIS ADMINISTRATION CONTINUES TO TAKE AIM AT SENIOR CITIZENS, SOME OF THE POOREST PEOPLE IN THIS COUNTRY, WHILE THROWING AWAY MONEY ON OVER-PRICED AND USELESS EQUIPMENT AT THE DEPARTMENT OF DEFENSE. OVER THE PAST THREE YEARS, FROM FEBRUARY 1981 TO MAY 1984, A RETIREE WHOSE TOTAL ANNUITY FOR THIS PERIOD SHOULD HAVE BEEN \$63,506 HAS SEEN HER BENEFITS REDUCED TO \$57,581 -- A CUT OF MORE THAN TEN PERCENT -- BECAUSE OF REDUCTIONS IN THE RETIREMENT PROGRAM UNDER THE REAGAN ADMINISTRATION.

I, FOR ONE, AM DEEPLY OFFENDED BY THE MISINFORMATION AND MISREPRESENTATION OF THE CIVIL SERVICE RETIREMENT PROGRAM BY THE GRACE COMMISSION AND THE ADMINISTRATION. SIMPLY PUT, IN MY OPINION, THERE IS NO JUSTIFICATION FOR ANY FURTHER ATTEMPT TO REDUCE BENEFITS UNDER THE CIVIL SERVICE RETIREMENT PROGRAM.

I AM LOOKING FORWARD TO THE TESTIMONY OF THE WITNESSES AT THE BRIEFING TODAY. BECAUSE OF THE TIME CONSTRAINTS FOR THIS BRIEFING, I WOULD ASK THE WITNESSES TO SUMMARIZE THEIR TESTIMONY IN JUST A FEW MINUTES. I AM HOPEFUL THAT THIS BRIEFING WILL PROVIDE THE MEMBERS OF THIS COMMITTEE WITH THE INFORMATION THAT WE NEED TO ASSESS THE WISDOM AND IMPACT OF THE PRESIDENT'S BUDGET PROPOSALS.